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Message Text

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PAGE 01 ROME 05878 291716Z

46
ACTION STR-01

INFO OCT-01 SS-14 ISO-00 EUR-10 SSO-00 NSCE-00 AGR-03 L-02

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FM AMEMBASSY ROME
TO SECSTATE WASHDC IMMEDIATE 4545
INFO USMISSION EC BRUSSELS IMMEDIATE
AMEMBASY BONN
AMEMBASSY BRUSSELS
AMEMBASSY COPENHAGEN
AMEMBASSY DUBLIN
AMEMBASSY LONDON
AMEMBASSY LUXEMBOURG
AMEMBASSY PARIS
AMEMBASSY THE HAGUE
USMISSION OECD PARIS
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E.O. 11652: N/A
TAGS: ETRD, GATT, EEC, IT, US
SUBJECT: GATT ARTICLE XXIV:6 DISCUSSIONS ON TOBACCO

REF: (A) ROME 5611; (B) MALGREN-BEAUDRY TELECON; (C) STATE 86686

1. ECON-COMM MINISTER SAW RICCIULLI, ACTING DIRECTOR GENERAL ECON-
OMIC AFFAIRS, MFA, APRIL 29 TO REVIEW TOBACCO SITUATION. RICCIULLI
WAS ACCOMPANIED BY CALAMIA, IN CHARGE OF EC-GATT AFFAIRS.

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2. ECMIN REVIEWED CURRENT IMPASSE ON TOBACCO AND THE NECESSITY OF

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

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FINDING A MEANS FOR A SETTLEMENT. HE SUGGESTED THAT IF ITALIAN CONCERN IS INDEED WRAPPER TOBACCO IT MIGHT BE POSSIBLE TO FIND AN ARRANGEMENT WHICH WOULD SATISFY BOTH US AND ITALIAN INTERESTES BY A TWO SECTION APPROACH SEPARATING WRAPPER FROM VIRGINIA FLUE CURED TOBACCO.

3. RICCIULLI AND CALAMIA REPLIED ON FOLLOWING LINES: MFA HAS EXAMINED TARIFF SYSTEM FOR TOBACCO AND CONCLUDED THAT MAJOR CHANGES (I.E. OF SYSTEM FOR PROTECTING WRAPPER TOBACCO) ARE NOT FEASIBLE. MOREOVER, IN MFA VIEW, US IS ASKING FOR CXT REDUCTIONS WHICH ARE TOO LARGE TO BE CONSIDERED. EVEN IF EC WERE TO GO TO 55 U.A. THE US WOULD HAVE A TRADE PROBLEM, AS IT WOULD STILL HAVE AT 50. THIS BEING THE CASE, CALAMIA SUBMITTED AS "PERSONAL REFLECTION" THAT US MIGHT WISH TO APPROACH MATTER FROM ANOTHER DIRECTION BY PROPOSING THAT THE 280 U.A. BREAK POINT BE RAISED SOMEWHAT, PERHAPS TO 290. RICCIULLI MENTIONED 300. CALAMIA SAID HE HAD TALKED TO THE TOBACCO MONOPLY AND THEY WERE "REFLECTING" ALONG THE SAME LINES. HE ADDED THAT THIS APPROACH WOULD NO DOUBT PRECLUDE TARIFF REDUCTIONS.

4. ECMIN REPLIED THAT WHILE HE WOULD REPORT THESE "PERSONAL REFLEXIONS", HE WAS DEEPLY CONCERNED OVER WHAT APPEARS TO BE EC INABILITY TO MEET US REQUIREMENTS. IN PARTICULAR, CALAMIA'S OBSERVATION THAT ADJUSTING THE TARIFF BREAK WOULD PRECLUDE DUTY REDUCTIONS SEEMED TO MAKE EC POSITION UNNECESSARILY INFLEXIBLE.

5. INDUSTRY TOBACCO EXPERT J. WILLIAMS NOW ARRIVING IN ROME EVENING APRIL 29. HE THUS WAS UNAVAILABLE PRIOR TO ABOVE DEMARCHE. VOLPE

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